

tal into the obligations of their own country. The result of the decline was not only the sale of the securities offered to brokers, but a flood of foreign money and foreign credits to Paris to take advantage of the reduced prices of ^{4*} the internationals.^{5>} M. Say, in his report, attributed to those arbitrage transactions in international stocks and their coupons much of the facility with which the indemnity was paid. The sales of Italian five per cent, securities alone on the Paris Bourse from July 1, 1871, to December 31, 1873, were 46,115,000 francs (\$9,000,000), not including sales by private brokers. The proof that these sales were largely on foreign account was furnished by the decline in the interest payments made at Paris on Italian securities from 40,150,000 francs on July 1, 1871, to 25,604,000 francs on January 1, 1874.'

The Bank of France was embarrassed as early as 1860 by the fluctuations in the relative value of gold and silver and their departure from the ratio of fifteen and a half *to* one fixed by the French coinage law of 1803. Silver had become the more valuable metal, because of the immense addition to the gold stock by the discoveries in California and Australia. The value of silver, in other words» was greater in proportion to gold than the price paid for bullion at the mint. It was obvious that if the bank continued the policy of redemption of its notes in gold or silver at the option of the holder, silver coin would always be preferred, and would be withdrawn for speculative purposes as long as it could be obtained, because it could be sold as bullion at a profit above its face value in gold. The situation became so serious that the bank asserted the option to pay only in gold and obliged to borrow that metal from the Bank of England in order to be well supplied. Gold had been flowing into France since the opening of the California mines and silver

¹ Leroy-Beaulieu, II., 236. M. Leroy-Beaulieu admits that

for
report are included in the first item, but the decline in interest payments at Paris seems to sustain his argument that Italian ~~securities~~ left France in order that their proceeds might be invested in the Indemnity loan.